

Memorandum of Understanding

Between

**Ministry of Interior of the Royal Government of
Cambodia**

And

United States Agency for International Development

**For the Implementation of the
Local Administration and Reform (LAAR) Program**

March 31, 2006

ARTICLE I. BACKGROUND

With the Commune Council elections in February 2002, Cambodia took a bold step towards decentralization. Decentralization has since taken root, with commune councils managing administrative tasks, planning and implementing development projects, establishing local commune regulations, and conducting advocacy.

The Ministry of Interior (MOI) continues to support the Royal Government of Cambodia's decentralization efforts to ensure democratic elections for commune councils, to build the capacity of commune councils and to establish administrative systems to serve the decentralization and de-concentration reform process.

Global decentralization best practices demonstrate that an active and engaged civil society is a necessary pre-condition for successful decentralization and ensures effective two-way communication, promotes accountability and transparency, and positively impacts all members of society when they are mobilized to actively participate and have influence in local government decisions.

The United States Agency for International Development (USAID) has identified support for the RGC's decentralization efforts as one of its priority program areas in Cambodia and has correspondingly formulated and awarded a Local Administration and Reform (LAAR) program to Pact.

This Memorandum of Understanding falls under the auspices of the "Economic, Technical and Related Assistance Agreement Between the Government of the Kingdom of Cambodia and the Government of the United States of America," signed on October 25, 1994, and hereinafter referred to as the "Bilateral Agreement."

ARTICLE II. PROJECT OVERVIEW

Subject to the availability of funds and continued cooperation of the Royal Government of Cambodia (RGC), the United States Agency for International Development herewith signifies its intention to support the implementation of a five-year Local Administration and Reform (LAAR) Program. The goal of LAAR is to promote effective, robust and sustainable engagement between elected commune councils and local communities. The program aims to increase and institutionalize participatory democratic practices within commune councils and sub-national government and to activate sustainable horizontal and vertical links between commune councils, civil society, and national level government that positively impacts Decentralization and De-concentration (D&D) Reform. See Annex A - LAAR Program Document.

Section 2.01 Implementation Areas

USAID anticipates that 500 communes in ten provinces will benefit from this program. Provinces to be included in the implementation of LAAR will be selected from the following: Banteay Meanchey, Siem Reap, Battambang, Pursat, Kampot, Kandal, Takeo, Kampong Cham, Kampong Speu, Kampong Chhnang, Kampong Thom, Prey Veng, Svay Rieng, and the Municipality of Phnom Penh. These provinces may be subject to change based on periodic assessments of the program.

Section 2.02 Implementation Process

Pact, a US-based, nonprofit international development organization, has been selected as the implementing agency for USAID's LAAR Program. Pact has a fourteen-year history of work in Cambodia and is operating under a Memorandum of Understanding with the Ministry of Foreign Affairs of Cambodia. In recent years, Pact has played a strong leadership role in establishing and providing management support for three decentralization working groups that include: Working Group on Partnerships in Decentralization (WGPd), Decentralization Forum Working Group (DFWG), and the D&D Reform Working Group (DDRWG). These groups have a broad-based membership of over forty organizations and have been a venue for government, donors, Cambodian non-government organizations (NGOs), commune councils, and international NGOs to address decentralization and de-concentration issues.

USAID intends that Pact/LAAR staff will work closely with MOI, relevant national and sub-national government agencies, non-government organizations, commune councils, and civil society associations in the implementation of the program.

It is recorded that the LAAR program is not intended to replace all or part of the normal government allocations to participating commune councils. The program is therefore conditional on the assumption that normal financial allocations to commune councils by the Commune/Sangkat Fund or other funds under the control of the RGC, will not be prejudiced or reduced correspondingly because of the special financial supplements or grants provided by the LAAR program.

The assistance to be provided through this program will consist of:

1. Providing capacity building and grants of up to \$5,000 directly to 500 commune councils for social development activities for a period not to exceed three years per commune council. Capacity building will take place through the mechanism of provincial NGO partners and national capacity building institutes, and will be coordinated with existing MOI/Department of Local Administration (DOLA) capacity building efforts;
2. Creating opportunities to increase citizen acceptance of, and participation in, the D&D reform process at the sub-national level in 500 communes covering ten provinces and municipalities;

3. Increasing partnerships between commune councils and civil society that effectively respond to citizen expectations and priorities;
4. Increasing citizen and sub-national level knowledge of and influence on national D&D and sub-national policy implementation;
5. Improving interaction between civil society and MOI's NGO Liaison Unit;
6. Enhancing transparency and dissemination of information regarding commune affairs and the D&D reform process through the use of media and other public relations techniques; and
7. Monitoring and assessing the effectiveness of LAAR through the use of surveys, focus groups, panel discussions, and other monitoring tools.

ARTICLE III. MOI RESPONSIBILITIES

Through the signing of this Memorandum of Understanding, the Ministry of Interior of the Royal Government of Cambodia agrees to:

- Recognize that as USAID's implementing agency, Pact is authorized to conduct decentralization activities and to implement projects within the laws and regulations of the Kingdom of Cambodia and in accordance with the provisions of this MOU;
- Assist USAID and Pact as necessary and appropriate in implementing the programs and activities discussed above;
- Provide information regarding activities of other donors and of the RGC that would serve to strengthen and coordinate with activities being carried out under this MOU;
- Arrange for and/or encourage support for activities carried out under this MOU from relevant national and sub-national government agencies;
- Collaborate with USAID in the strengthening of the NGO Liaison Office located at the office of MOI; and
- Facilitate the establishment of MOUs between Provincial Governors of Cambodia and Pact in the provinces where the program is implemented.

ARTICLE IV. USAID RESPONSIBILITIES

Through the signing of this Memorandum of Understanding, the United States Agency for International Development agrees to:

- Coordinate and cooperate with other MOI and donor programs being implemented in the realm of decentralization;
- Monitor implementation of activities carried out under this MOU;

- Coordinate activities being carried out under this MOU with other USAID-funded programs;
- Seek MOI input on any substantive changes or additions to the Program;
- Provide MOI with regular updates on the Program's implementation;
- Share lessons learned and best practices resulting from LAAR Program implementation; and
- Attend donor coordination meetings called by MOI.

ARTICLE V. COORDINATION

USAID, MOI and Pact will maintain close communications at all levels. In order to facilitate communication, each organization will appoint one representative to serve as the principal liaison regarding the implementation of activities discussed in this document. A LAAR Executive Committee will be established to help ensure optimal impact of the activities to be implemented under this MOU. This committee will be chaired by a MOI representative and will include representatives from USAID, Pact, and other appropriate agencies as agreed between MOI and USAID. The LAAR Executive Committee will have the following responsibilities:

- Establish a framework for communicating and resolving any issues that arise during implementation;
- Inform relevant government agencies and other stakeholders as needed on activities being carried out under this program;
- Link the LAAR Program with local government units, national government agencies, and other concerned donors and organizations;
- Facilitate appropriate dissemination of program results;
- Undertake a special review of the policy and implementation of the LAAR program not less than annually in order to take into account changes that may be introduced through the development and implementation of the Strategic Framework for D&D (17 June 2005) and the Organic Laws; and
- Review of the annual work plan.

The LAAR Executive Committee will be appointed as soon as possible after the MOU is signed and will meet on a semi-annual basis. This committee may be combined in the future with other multi-donor coordination mechanisms.

ARTICLE VI. COMMUNICATION

The English version of this Memorandum of Understanding is the official document. Any notice, request, document, or other communication submitted by either party to the other under this Memorandum of Understanding will be in English unless otherwise agreed in

writing, and will be deemed duly given or sent when delivered in writing to the designated MOI or USAID representative.

ARTICLE VII. REPRESENTATIVES

For all purposes relevant to this Memorandum of Understanding, the MOI will be represented by the individual holding or acting in the Office of the Minister of Interior and USAID will be represented by the individual holding or acting in the Office of the Director of the USAID Mission to Cambodia, each of whom, by written notice, may designate additional authorized representative(s) for all purposes hereof other than signing formal amendments to the Memorandum. The names of the representatives of USAID, with specimen signatures, will be provided to MOI, which may accept as duly authorized any instrument signed by such representatives in the implementation of this Memorandum, until receipt of written notice of revocation of their authority. The names of the representatives of the MOI, with specimen signatures, will be provided to USAID, which may accept as duly authorized any instrument signed by such representatives in the implementation of this Memorandum, until receipt of written notice of revocation of their authority.

ARTICLE VIII. PERIOD OF PERFORMANCE

This Memorandum of Understanding constitutes the framework for coordination between USAID and MOI over the next 5 years with respect to the LAAR program. The completion date is September 30, 2010. The LAAR Program and this MOU may be extended or otherwise amended in writing by mutual agreement of the parties.

ARTICLE IX. FUNDING

USAID, pursuant to the Foreign Assistance Act of 1961, as amended, has awarded an Agreement to Pact, valued at \$14,379,119, for the purpose of implementation of the LAAR Program. USAID may elect to make new awards to other implementing organizations as the need may arise. This Memorandum of Understanding does not change in any way the current USAID award to Pact or future awards and does not represent any obligation of funds to the Royal Government of Cambodia.

ARTICLE X. TAXATION/DUTY FREE CLAUSE

In accordance with Article III of the Bilateral Agreement, the RGC will ensure that all commodities, supplies, materials, equipment, vehicles, other goods, and all services financed by the United States Government and imported into Cambodia or procured in Cambodia for use in the LAAR Program are exempt from the payment of all taxes, CD/VAT, customs, duties, fees, or tariffs imposed under RGC laws.

ARTICLE XI. MODIFICATION AND TERMINATION OF AGREEMENT

The terms of this agreement can be modified if necessary. Modification to any of the articles of this Memorandum of Understanding will take effect only when documented in writing and signed by both parties.

Both parties acknowledge that either party may terminate this agreement by written notice should either party fail to substantially fulfill the responsibilities set forth herein.

In witness thereof, the Government of the United States of America and the Royal Government of Cambodia, acting through their duly authorized representatives, have caused this Memorandum of Understanding to be signed on this 31st day of March in the year Two-Thousand and Six.

H.E. Prum Sokha
Secretary of State
Ministry of Interior
Royal Government of Cambodia

Jonathan S. Addleton
Mission Director
United States Agency for
International Development